US Agriculture Department reports food price increases from Iran war, tariffs and drought

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A report by the United States Department of Agriculture (USDA) on April 24 shows a significant rise in food prices driven by multiple factors including tight supplies, weather shocks and upstream cost increases. Among the major causes are higher fuel and fertilizer costs from the US-Israeli war against Iran, and the prolonged drought facing American farmers.

The summary in the USDA's Food Price Outlook states that in 2026 "prices for all food are predicted to increase 2.9 percent," while "food-at-home prices are predicted to increase 2.4 percent" and "food-away-from-home prices are predicted to increase 3.6 percent."

The report adds that "prices for 7 categories are predicted to grow faster than their 20-year historical average rate of growth," specifically beef and veal, fish and seafood, fresh vegetables, processed fruits and vegetables, sugar and sweets, nonalcoholic beverages and other foods.

The report also says prices for pork, other meats, poultry, cereal and bakery products, and fresh fruits are expected to rise more slowly than the average, while eggs, dairy products, and fats and oils are expected to decline.

On beef, the USDA said, "beef and veal prices were 12.1 percent higher in March 2026 than in March 2025," and the agency forecasts a further increase of 6.3 percent in 2026. The report ties this rise to "a cyclical contraction of the cattle herd" and strong consumer demand despite tighter supplies.

Farmers are facing a "perfect storm" of circumstances: Fuel, fertilizer and other inputs are rising while weather and market volatility make harvests less predictable. CoBank reports that fuel and fertilizer prices have risen 20-40 percent since the Iran war began, warning that higher diesel costs alone could add thousands of dollars per farmer.

Higher diesel, natural gas and ammonia costs raise the expense of planting, irrigating, spraying, harvesting, refrigerating and transporting food, while fertilizer shortages reduce yields later in the season and can tighten supply for months.

At the farm level, fuel is the cost that shows up every day. It powers tractors, combines, irrigation pumps, grain dryers and delivery trucks, so even a modest diesel spike can add thousands of dollars in expenses for a single operation and much more for large grain-handling systems. Those costs are hard to absorb because many growers already sell into thin-margin markets, so they cannot simply pass everything on immediately.

Fertilizer is even more important because it affects not just cost but output. When nitrogen or urea prices jump sharply, farmers may reduce application rates, delay purchases, switch to less fertilizer-intensive crops, or plant fewer acres altogether. That means the full damage may not appear until harvest, when lower yields work their way into grain, feed, meat, dairy and processed food prices.

Fuel also drives freight rates across the entire system. Trucking, rail, ocean freight, warehouse handling and cold-chain refrigeration all become more expensive when diesel and marine fuel rise, and those costs are quickly built into wholesale and retail pricing. For fresh produce, the problem is especially acute because refrigeration and fast transport are essential to avoiding spoilage.

Storage and processing costs rise too. Grain elevators, flour mills, feed mills, canneries and packing plants use large amounts of electricity and fuel, so price shocks do not stop at the farm gate. As expenses rise, processors often cut order volumes, renegotiate contracts, or trim product sizes and margins, which eventually shows up as higher shelf prices or reduced availability.

CNBC reports that 58 percent of farmers surveyed said their financial condition had worsened because of rising input and fuel costs, and many said they could not afford all the fertilizer they need.

The prolonged drought in the US is widespread and severe, and is not a local or temporary dry spell. As of April 21, 2026, 63 percent of the Lower 48 states were in drought, and 52 percent of the US and Puerto Rico combined were in drought. The Southeast is especially hard hit with 97 percent of the region in moderate to exceptional drought and 82 percent in severe to exceptional drought.

The drought is hurting agriculture and water supplies. The Southeast drought update says soil moisture is limited or nonexistent in many areas, seeds are struggling to germinate, some land is too dry to plant, irrigation is needed to keep crops alive and stock ponds are low. It also says pasture conditions are poor, forcing producers to continue feeding hay to livestock far longer than normal.

This kind of prolonged drought does more than dry out fields. It reduces crop yields, raises feed costs, strains livestock producers, increases wildfire risk, and puts pressure on reservoirs, rivers and groundwater. Because drought is spreading across multiple major agricultural regions at the same time, it has a much larger impact on the food system than a short, isolated dry spell.

Meanwhile, weather shocks are also hitting food production in the same moment. USDA-linked reporting on Florida shows that freezing temperatures struck 66 of the state's 67 counties, and caused more than $3.1 billion in agricultural losses with heavy damage to sugarcane, citrus, strawberries, tomatoes, watermelons, sweet corn, bell peppers, potatoes, cabbage and squash.

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The USDA's own outlook says prices for fresh vegetables can swing sharply based on "weather, production, seasonality, and other factors." This phrase understates the reality for farmers and consumers alike: extreme weather functions as a force in food inflation because the system has less slack and fewer buffers against climate disruption.

The Trump administration's tariffs have also added another layer of price pressure, especially for canned and processed foods that depend on imported metal, packaging and inputs. A food-industry context report cited in the USDA's Outlook links higher prices in processed categories to wholesale and input cost increases, including energy and commodity movements that feed through the entire chain. In the globally integrated food manufacturing sector, tariffs quickly become a tax on basic consumer goods.

Labor costs are also a major issue, especially in agriculture, meatpacking and food processing, areas where immigrant workers are significantly represented. Mass deportation policies have raised labor costs by shrinking the available workforce, pushing wages up, and creating bottlenecks in harvesting, packing and transportation.

Those costs do not stay confined to the farm field; they move into canning, distribution and restaurant pricing. The Trump administration's crackdown on immigrant workers functions as another inflationary pressure on top of the already strained supply chain.

While Trump's Agriculture Secretary Brooke Rollins has vowed that the US agricultural workforce will become "100 percent American," a recent Labor Department filing admitted that replacing undocumented farmworkers is nearly impossible.

The Labor Department's filing in the Federal Register said, "the Department does not believe American workers currently unemployed or marginally employed will make themselves readily available in sufficient numbers to replace large numbers of aliens no longer entering the country, voluntarily leaving, or choosing to exit the labor force due to the self-perceived potential for their removal based on their illegal entry and status."

Rising food costs are also deepening food insecurity. FRAC says the USDA's latest food security report found 47.9 million people lived in food-insecure households last year, a number that captures the scale of hardship beneath the official inflation figures. Even modest increases in food prices can push families already living near the edge into skipping meals, buying cheaper but less nutritious food, or depending on charity.

Food banks are reporting this pressure directly. Community food organizations have warned that demand remains elevated as wages fail to keep pace with food costs, housing costs and utility bills. The social consequences are straightforward. The heaviest burden of food inflation falls on low-wage workers, the unemployed, retirees and single-parent households.

This is occurring as the Trump administration has slashed food assistance programs, including reducing the Emergency Food Assistance Program (TEFAP) by 94 million pounds of food, cutting $500 million from food bank deliveries and initiating the largest reduction in the history of the Supplemental Nutrition Assistance Program (SNAP), also known as food stamps.

The cuts include:

• **SNAP Reductions:** Proposed budget cuts targeted a 25–30% reduction ($200 billion over 10 years) in SNAP benefits. Trump has boasted that 3.3 million people have been "lifted off of food stamps" due to tightened work requirements, stricter eligibility rules and structural changes under the "One Big Beautiful Bill Act."

Women, Infant and Children (WIC) Cuts: Proposed FY2027 budget plans to reduce fruit and vegetable benefits for women and children by $1.4 billion.

• **Food Bank Shortages:** The administration cut funding for food banks by $500 million, causing a "scarcity crisis" and replacing fresh food with cheaper, lower-nutrient alternatives.

The war-driven rise in food and fuel prices is a global phenomena, triggering protests and strikes in the Philippines, Haiti, India, Ireland and other countries. In the UK, the Food and Drink Federation says food inflation is now expected to reach at least 9 percent by the end of 2026, citing energy, transport, fertilizer and shipping disruptions tied to the war in Iran and the crisis in the Strait of Hormuz.

The Bank of England has also reported that businesses fear food inflation could reach 6 to 7 percent this year. The Food Foundation says UK food price inflation reached 3.7 percent in April.

The Canada Food Price Report 2026 forecasts overall food prices will rise 4 to 6 percent, with the average family of four spending up to $17,571.79 on food this year. That is part of a wider cost-of-living crisis in which food bank use is climbing and households are increasingly unable to absorb further price shocks. The pattern is international: When energy, logistics and agriculture all become more expensive at once, food costs rise everywhere.

The long-term effect of war on the world food supply makes the global system more fragile. The USDA notes that prices for wheat peaked after the Russia-Ukraine war began and that farm-level wheat prices remain sensitive to war-related supply disruptions. The UK food industry is already warning that Middle East conflict and oil-market disruption are feeding increases in fertilizer, transport and packaging costs.

In poor and importing countries, fuel cost increases, shipping route disruptions and cuts to fertilizer production reduce harvest reliability and this translates into hunger and malnutrition. The food system is absorbing the combined impact of war, tariffs, labor shortages and climate shocks simultaneously. The result is an increase in inequality internationally, where millions pay more to eat while others are forced to go without.

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